

Message Text

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ORIGIN L-03

INFO OCT-01 EUR-12 ISO-00 EB-07 COME-00 TRSE-00 OMB-01 H-02

CIAE-00 INR-07 NSAE-00 STR-04 OPIC-03 /040 R

DRAFTED BY L/EUR:DHSMALL:NMC

APPROVED BY L/EUR:HSRUSSELL

EUR/IB - W. KELLY (SUBST)

EB/IFD/OIA - T.R.BRODERICK (SUBST)

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R 142311Z AUG 75

FM SECSTATE WASHDC

TO AMEMBASSY LISBON

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E.O. 11652: N/A

TAGS: PO, EINV

SUBJECT: U.S. PROPERTY INTERESTS IN PORTUGAL

1. DEPT IS PRESENTLY PREPARING, UNDER TIGHT DEADLINES, WORLD-WIDE SURVEY OF OUTSTANDING CASES UNDER SECTION 502(B) OF TRADE ACT, CONCERNING NATIONALIZATION, EXPROPRIATION OR OTHER SEIZURE OF OWNERSHIP OR CONTROL OF AMERICAN PROPERTY BY FOREIGN COUNTRIES. WE HAVE PREPARED BRIEF REPORT ON SITUATION, WHICH CONCLUDES THAT THERE ARE NO CASES OF SUCH ACTION BY PORTUGAL. IN VIEW OF FLUIDITY OF SITUATION IN PORTUGAL, AND OUR UNCERTAINTY THAT WE HAVE UP TO DATE INFORMATION ON ALL THE SITUATIONS, WE WOULD APPRECIATE EMBASSY'S REVIEW OF PROPOSED PASSAGE, AS WELL AS ANY UPDATE OF U.S. PROPERTY SITUATION IN PORTUGAL WHICH MAY BE CALLED FOR. WOULD APPRECIATE ANY EMBASSY COMMENT BY AUGUST 18.

2. PROPOSED PASSAGE FOLLOWS: BEGIN TEXT: THE CASES IN PORTUGAL WHICH HAVE COME TO OUR ATTENTION ARE TORRINGTON INDUSTRIES, GM, OTIS ELEVATOR, FIRESTONE AND MUELLER
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MONTAGEM. ALL INVOLVE SEVERE LABOR DIFFICULTIES AND

POSSIBLE IMPAIRMENT OR LOSS OF MANAGEMENT CONTROL OVER THE PROPERTY AS A RESULT OF WORKER TAKEOVERS, LOCKOUTS AND OTHER LABOR ACTION. THE TORRINGTON CASE ALSO INVOLVED PORTUGUESE

GOVERNMENT FREEZING OF A COMPANY BANK ACCOUNT AND PAYMENT OF \$76,000 FROM THAT ACCOUNT TO WORKERS FOR DISPUTED WAGES. THE TORRINGTON CASE HAS RECENTLY BEEN SETTLED FOLLOWING FAVORABLE COURT ACTION, U.S. DIPLOMATIC INTERVENTION AND, FINALLY, PORTUGUESE LABOR MINISTRY EFFORTS TO RESOLVE THE DISPUTE TO MANAGEMENT'S SATISFACTION. SETTLEMENT INCLUDED RESTORATION TO THE COMPANY OF CONTROL OF ITS BANK ACCOUNT AND THE \$76,000. THE GM CASE INVOLVED A SHORT TERM LOCK-IN OF A MANAGER. THE COMPANY HAS NOT SOUGHT U.S. ASSISTANCE WITH ITS PROBLEMS SINCE THE MANAGER'S RELEASE. IN NONE OF THE OUTSTANDING CASES DOES THERE APPEAR TO BE ANY ACTION BY THE PORTUGUESE GOVERNMENT ADVERSE TO THE U.S. COMPANY'S PROPERTY INTERESTS. THE SITUATION REGARDING THOSE COMPANIES' LABOR PROBLEMS IS AT PRESENT MURKY. UNLESS THERE SHOULD DEVELOP CLEARER INDICATIONS THAT THE PORTUGUESE GOVERNMENT IS IMPOSING UPON THE COMPANIES SETTLEMENTS WITH THE WORKERS OR OTHER CONDITIONS WHICH EFFECTIVELY DEPRIVE MANAGEMENT OF CONTROL OF ITS PROPERTY, A FINDING THAT THESE CASES FALL UNDER THE TERMS OF SECTION 502(B) OF THE TRADE ACT WOULD NOT BE JUSTIFIED. THIS CONCLUSION IS REINFORCED BY THE SUCCESS OF TORRINGTON IN DEFENDING ITS RIGHTS THROUGH THE PORTUGUESE COURTS AND THEN WITH THE ASSISTANCE OF THE LABOR MINISTRY. THE OTHER COMPANIES WITH LABOR PROBLEMS DO NOT APPEAR TO BE PURSUING ALL THE AVAILABLE REMEDIES. END TEXT.

KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, FOREIGN INVESTMENTS, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE193465
Document Source: CORE
Document Unique ID: 00
Drafter: DHSMALL:NMC
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750282-0470
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750851/aaaabstw.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN L
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 13 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 JUN 2003 by ifshinsr>; APPROVED <24 DEC 2003 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: U.S. PROPERTY INTERESTS IN PORTUGAL
TAGS: EINV, PFOR, PO, US
To: LISBON
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006